

STANDARD FORM NO. 64

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TO : Chief, St/PC
THRU : Ch/E
FROM : Acting Chief, St/PR

SUBJECT: Project No. 00.1643, "OCI Handbook: Mongolian People's Republic"
25X1A (Confidential)

Project No. 00.1643 has been assigned to the subject project, which was written by [REDACTED] for CSS to fulfill an OCI requirement. The project was coordinated with all ERA divisions. A copy of the project is attached for your file.

25X1A

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(Proj. 00.1643)

OCY Handbook: Mongolian People's Republic

III. ECONOMIC

A. Currency

1. Basic Monetary Unit: Tugrik

2. Exchange Rate: One tugrik to 1.314 rubles. Based on a
ruble-dollar relationship, one tugrik is equal to US\$.248.

B. Banking System: The banking system is nationalized and
operated through the Mongolian Industrial and Commercial Bank. The
National Government controls the economy and its development through
the banks credit operations. It is the source of long-term credit
and working capital for the state, cooperative, and private sectors
of the economy. In 1938, capitatlization was about 4 million tugriks
(about US\$ 988,000).

C. Economic Trends

1. Basic Economic Factors: The cardinal feature of the Mongolian
economy is its traditional animal husbandry base; over 90 percent of
the population derives its livelihood from animal husbandry. The
principle ambition of the government during the past ten years has been

to increase the livestock population. Recent mineral and transport development have depended upon the initiative of the Soviet Union.

2. Currency Stability: Currency has not entirely replaced barter in the domestic markets, and many business and personal transactions continue to be negotiated through barter or on a combination barter and currency basis.

3. Government Controls: The national government controls almost all modern industrial and transport facilities. Nationalization of the agricultural sector of the economy has been strongly resisted by the traditionally property-conscious and independent Mongolian herdsman. Only by indirect controls, such as discriminate taxation, competition by government service enterprises, and expansion of health and educational facilities, is the national government bringing agriculture under control, meeting agricultural economic plans, and obtaining at least passive support of most of the agricultural population.

D. Annual Budgets: The planned state budget for 1955 was 507 million tugriks (about US\$ 108 million; and the budget for 1952 was 402 million tugriks (about US\$100 million).

The basic revenue of the state budget is derived from production of state and cooperative enterprises and organizations, chiefly in the form of turnover and profit taxes. Between 1940 and 1955 income from these sources increased from 60 percent to over 80 percent of total revenue.

The major expenditures financed by the state budget are for economic development programs, social and cultural development, and national defense. In 1955, one-third of the state expenditures went into economic enterprises. Of this allocation, 57.7 million tugriks (US\$ 14.4 million) was used for transportation and communications enterprises, with 40 million tugriks (about US\$ 10 million) invested in the Trans-Mongolian Railway from Ulan Bator to Communist China; 43.2 million tugriks (US\$ 10.7 million) was used for livestock and farming enterprises; and 39.8 million tugriks (US\$ 9.9 million) for industry. Social and cultural measures accounted for over 35 percent of the 1955 budget expenditures. Expenditures for government administration at one time constituted an important part of the budget, but have declined from nearly 50 percent in 1928 to less than 8 percent in 1953. In 1953, military appropriations represented about 10 percent of the total budget.

2. Minerals: Mongolia has a general range of industrial and other mineral ores, but they have been exploited to only a limited extent due to poor transportation, limited local demand, insufficient technical personnel and inadequate capital resources. The Soviet Union has aided in the exploiting of Mongolian mineral ores, and much of the production is shipped to the Soviet Union.

3. Fuels Petroleum was discovered in the eastern part of the Gobi Desert in 1950, with the assistance of Soviet technicians. A refinery has been built at Dzund Bayan, a town believed to be in the vicinity of Bain Shanda, close by the Trans-Mongolian Railway. Mongolian officials stated in August 1956 that production was sufficient to meet domestic requirements, which amounted to about 600,000 barrels in 1952. Coal requirements are small and next to domestic production. Most fuel needs of the economy are met from well-stocked forests, or from brushwood and animal dung in the the unforested grasslands and desert areas.

G. Industry: Manufacturing occupies a minor position in the Mongolian economy, essentially being subsidiary to livestock raising.

Industry is completely state owned and is confined for the most part

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to the Ulan Bator area; industry has been built up largely with Soviet financial backing, equipment, and skilled personnel. It supplies only about one-third of the domestic needs for manufactured products. The major manufactures are animal products including leather goods, felt, woolen products, meats, shoes, and rugs. Other consumer goods, such as liquors, matches, flour, bricks, are produced. Heavy industry does not exist, and Mongolia is entirely dependent upon the Soviet Union for armaments and capital goods, as well as metals, cement, and chemicals.

H. Foreign Trade: Nearly all of Mongolia's foreign trade is carried on with the Soviet Union through the Soviet-controlled Central Consumer's Cooperative. The composition of exports has changed little in recent times, and includes livestock, animal products, and processed animal products. Major imports include consumer goods, such as tea, grain, flour, and textiles. With the recent slight expansion of industry in the country, imports of capital equipment, producers' goods, and petroleum products have increased. In its trade with the Soviet Union, Mongolia has generally has an export deficit.

I. Telecommunications: The economy of Mongolia is almost completely divorced from telecommunications. All telecommunications media

are government owned and services are confined to government officials-- civil and military. Each administrative district capital and principal towns are linked to Ulan Bator by land line and/or radio. Mongolia is linked by radio with Afghanistan, China, India, and the Soviet Union, and there is telephone service between the USSR and Ulan Bator, Choy Blasan, and Kobdo.

J. Transportation

1. Railroads: Mongolian railroad development has been essentially a Soviet enterprise. Rail lines reflect less Mongolian industrial development, than indicate the Soviet Union's interest in the strategic and economic potentialities of the area, and could be considered extensions of the Soviet railway system. Total mileage of lines is about 1000 miles, with all main lines built to the broad 5 foot gage of the Soviet system. Almost all rail lines are located in the northeastern part of the country. The newly completed (January 1956) Trans-Mongolian line links the Soviet and Chinese rail systems. All rolling stock and locomotive equipment is of Soviet origin.

2. Roads: The road system in Mongolia is focussed on the

system does adequately serve the needs of the predominantly pastoral economy and is the principal media of transportation. There are about 23,000 miles of motor roads and 25,000 miles of animal trails serving the country.

3. Civil Airlines: Mongolia is not served by domestic airlines. However, the main air link between the USSR and Communist China, served with Aeroflot IL-14s, passes over the country and with stops at Ulan Bator twice daily. The air port at Ulan Bator has a concrete runway. Other principal airfields are located at Choy Balsan, and Tansag Bulag.

V. GENERAL DATA

A. Population: Mongolia's population is estimated to be about 1 million. The density of population is very low (averaging slightly more than one person per square mile) and even in the more populous areas around Ulan Bator there are no more than three or four persons per square mile. Despite this low density, the population is still pressing hard on the meager resources of the desert country.

B. Area: 614,000 square miles (approximately.)